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SPECIAL COMMITTEE ON THE SITUATION WITH
REGARD TO THE IMPLEMENTATION OF THE
DECLARATION ON THE GRANTING OF
INDEPENDENCE TO COLONIAL COUNTRIES
AND PEOPLES

ACTIVITIES OF FOREIGN ECONOMIC AND OTHER INTERESTS WHICH ARE IMPEDING THE IMPLEMENTATION OF THE DECLARATION ON THE GRANTING OF INDEPENDENCE TO COLONIAL COUNTRIES AND PEOPLES IN ALL TERRITORIES UNDER COLONIAL DOMINATION AND EFFORTS TO ELIMINATE COLONIALISM, APARTHEID AND RACIAL DISCRIMINATION IN SOUTHERN AFRICA

ANGUILLA

Working paper prepared by the Secretariat

1. Basic information on conditions in Anguilla is contained in the general working paper prepared for the current session of the Special Committee on the Situation with regard to the Implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples (A/AC.109/1058). Supplementary information concerning the activities of foreign economic and other interests in the Territory is presented below. 1/

2. Foreign capital from Canada, the United Kingdom of Great Britain and Northern Ireland and the United States of America continues to play a dominant role in the economic life of Anguilla. The main areas of concentration of foreign investment are tourism, real estate and property development, international business and telecommunications. Tourism remains the main economic activity in the Territory, although the Government is continuing a policy of diversification.

3. As in the past, the tourist industry continues to be predominantly controlled by foreigners. In recent times, however, efforts have been made by the Government, major donors and small hoteliers to rectify the structural imbalance of the industry whereby foreign economic interests owned and

operated the larger, more successful hotels and nationals operated only the smaller, less efficient units (see A/AC.109/976, para. 3). During the electoral campaign preceding the general elections of February 1989, the Chief Minister, Mr. Gumbs, quoting the manifesto of his ruling Anguilla National Alliance party, stated that "no further licences will be granted for exclusively owned foreign investment in the hotel sector in the near future", and "every encouragement will be given to local and joint-venture investment in the hotel sector".

4. The Government continued to promote the Territory as a haven for regional and international deposits. Its chief attractions were convertibility of a wide range of foreign currencies and no taxes on income and capital gains. In May 1990, a constitutional amendment went into effect in Anguilla, transferring responsibility for the Territory's international financial services from the territorial Government to the Governor.

5. The decision to remove jurisdiction for offshore banking from the territorial Government stems from an investigation of the operations in all British dependencies, which found that regulation and supervision of the transactions were too lax in Anguilla and Montserrat. 2/

6. The publication The Caribbean Update recently quoted Mr. Osbourne Fleming, the Minister for Finance, as having stated that applications for new bank licences were currently being received by the Ministry of Finance. This action followed a review conducted with assistance provided by the Government of the United Kingdom of 43 licences which resulted in the cancellation of 30 of them. Mr. Fleming added that the Government planned new legislation to control the operation of locally licensed banks. 3/

7. In its 1989 report on Anguilla, the Caribbean Development Bank stated that commercial bank deposits had increased from $48 million in December 1988 to $53.4 million in September 1989, reflecting primarily a 6 per cent growth in foreign currency deposits. Loans and advances grew by 38 per cent over the same period, to reach $30.8 million. A substantial proportion of those funds financed consumer loans as well as loans to the tourism and construction sectors.

8. Cable and Wireless (West Indies), Ltd., continued to be the sole owner and operator of telephone and telecommunication services in the Territory. In October 1988, the company signed an agreement with the Government for continuance of both internal and external telecommunication services for an additional 30 years.

9. Fishing, the second most important economic activity, has continued to be threatened because of poaching by foreign vessels using sophisticated fishing techniques. In March 1988, the Fisheries Development Officer of the Organization of Eastern Caribbean States secretariat pointed out that more than 20 foreign fishing vessels were operating in the eastern Caribbean, most of them illegally, taking nearly 5,500 kilograms of swordfish from the area every week.

10. In May 1990, Anguillan officials met in the Territory with their counterparts of St. Maarten/Saint-Martin. The talks focused, inter alia, on the question of fishing in Anguillan waters by foreign boats based in St. Maarten/Saint-Martin. 4/ Prior to the meeting, in April 1990, a fishing vessel belonging to a Far Eastern company, thought by the Anguillan police to have come from St. Maarten/Saint-Martin, was detained by the police for allegedly fishing in the island's territorial waters. 5/

11. The possible use by drug dealers of the Territory's offshore banking system to launder money as well as the use of Eastern Caribbean countries, including Anguilla, as major transit points in the illicit drug trade has led the Government of the United Kingdom, as the administering Power, to review its policy towards its five Caribbean dependent Territories and Bermuda.

12. In July 1990, it was announced that legislation authorizing Anguilla to enter into legal cooperation agreements with the United States concerning drug-trafficking investigations had been approved by the Anguilla House of Assembly in May 1990. The "Mutual Legal Assistance United States of America" bill is Anguilla's first step towards participation in a treaty between the United Kingdom and the United States, which is now being extended to the British Caribbean Territories.

13. According to the Deputy Governor of Anguilla, similar legislation already enacted in the Cayman Islands and the Turks and Caicos Islands would soon be approved in Montserrat, the British Virgin Islands and Bermuda. The Deputy Governor further stated that, upon submission of information by the Anguillan Government, it would be possible for the Government to approach authorities in Washington for a share of drug traffickers' seized assets. 6/

14. Furthermore, the United Kingdom and the United States are currently negotiating what is termed a "Shipriders Agreement" which, as stated by the Governor, "is an agreement whereby an officer of the Anguillan Government would be allowed to travel in a United States vessel for the purpose of apprehending any criminals who were committing offences in Anguillan jurisdiction". Under this agreement, the Government of Anguilla would place a police, customs or immigration officer aboard the United States vessel and would then authorize the vessel to act on behalf of the Government of Anguilla. 7/

Notes

1/ The information contained in this paper has been derived from published reports, including the Caribbean Development Bank Annual Report, 1987 (Barbados), 1988 and 1989.

2/ The Virgin Islands Daily News, 31 May 1990.

3/ The Caribbean Update (USA), February 1991.

4/ The Virgin Islands Daily News, 13 May 1991.

5/ Ibid., 9 April 1991.

6/ Ibid., 31 July 1990.

7/ The Vantage (Anguilla), 25 April 1990.

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INDEPENDENCE TO COLONIAL COUNTRIES
AND PEOPLES

GIBRALTAR

Working paper prepared by the Secretariat

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GIBRALTAR 1/

I. GENERAL

1. Gibraltar is a narrow peninsula extending southward from the south-west coast of Spain, to which it is connected by an isthmus about 1.6 kilometres long. The Spanish port of Algeciras lies 8 kilometres across the bay to the west; the continent of Africa is situated 32 kilometres across the strait to the south. According to the United Kingdom of Great Britain and Northern Ireland, the area of Gibraltar is 5.86 square kilometres, and according to Spain, it is 4.80 square kilometres.

2. As of 31 December 1989, Gibraltar's civilian population was estimated to be 30,689, comprising 20,425 Gibraltarians, 5,782 other British subjects (including families of British servicemen stationed in Gibraltar, but excluding servicemen) and 4,482 aliens.

II. ACTION BY THE GENERAL ASSEMBLY

3. On 20 November 1990, the General Assembly adopted the following decision on the question of Gibraltar by consensus (decision 45/407):

> "The General Assembly, recalling its decision 44/426 of 11 December 1989 and recalling at the same time that the statement agreed to by the Governments of Spain and the United Kingdom of Great Britain and Northern Ireland at Brussels on 27 November 1989,* stipulates, inter alia, the following:
>
> > 'The establishment of a negotiating process aimed at overcoming all the differences between them over Gibraltar and at promoting cooperation on a mutually beneficial basis on economic, cultural, touristic, aviation, military and environmental matters. Both sides accept that the issues of sovereignty will be discussed in that process. The British Government will fully maintain its commitment to honour the wishes of the people of Gibraltar as set out in the preamble of the 1969 Constitution',
>
> "takes note of the fact that, as part of this process, the Ministers for Foreign Affairs have held annual meetings alternatively in each capital, and urges both Governments to continue their negotiations with the object of reaching a definitive solution to the problem of Gibraltar in the light of relevant resolutions of the General Assembly and in the spirit of the Charter of the United Nations."

"* A/39/732, annex.

III. POLITICAL DEVELOPMENTS

A. General

4. The 1969 Constitution of the Territory remains in effect. 2/ It provides for a single House of Assembly consisting of 15 elected members, together with a Speaker, the Attorney-General and the Financial and Development Secretary as ex officio members. Elections for the House of Assembly take place every four years. The most recent elections were held in March 1988 (see para. 6). Executive authority is vested in the Governor, who is responsible for defence, external affairs, internal security and all matters that are not expressly defined as being of domestic concern.

B. General elections

5. On 12 December 1987, Sir Joshua Hassan, the Chief Minister and President of the Gibraltar Labour Party and the Association for the Advancement of Civil Rights (AACR) for nearly four decades, retired and was succeeded by his deputy, Mr. Adolfo Canepa. On 12 February 1988, the Democratic Party for British Gibraltar (DPBG) was dissolved and a new party, the Independent Democratic Party (IDP), was formed under the leadership of Mr. Joseph Pitaluga, former Administrative Secretary of the Gibraltar Government.

6. On 24 March 1988, elections were held in Gibraltar for the 15 seats in the House of Assembly. The three parties contesting the elections were the Gibraltar Socialist Labour Party (GSLP), led by the former opposition leader, Mr. Joe Bossano, who became the new Chief Minister with 58.2 per cent of the votes, winning eight seats in the House of Assembly; AACR, headed by Mr. Canepa, the outgoing Chief Minister, which won 29.3 per cent of the votes and the remaining seven House of Assembly seats; and IDP, led by Mr. Pitaluga, which received less than 5 per cent of the votes and failed to obtain an Assembly seat.

7. On 29 March 1990, the formation of a new political party, the Gibraltar Social Democrats (GSD), was publicly announced by Mr. Peter Montegriffo, former deputy leader of AACR. At the first public meeting held by GSD, Mr. Montegriffo called for "alternative arrangements" to allow for the expansion of air services to Gibraltar and unblock the present impasse and for the participation of Gibraltar in the framework of dialogue that has been established between Spain and the United Kingdom lest Gibraltar be isolated and find itself unable to exploit the opportunities that greater cooperation could offer. 3/

C. Future status

8. In his address to the General Assembly on 26 September 1990 (see A/45/PV.9), Mr. Francisco Fernández Ordoñez, Minister for Foreign Affairs of Spain, stated:

> "We reiterate our desire to continue negotiations to resolve all differences with the United Kingdom on the question of Gibraltar. The only solution is re-establishment of Spain's territorial integrity with respect for the legitimate interests of the population of Gibraltar, in conformity with resolutions of the General Assembly."

9. Mr. Douglas Hurd, Secretary of State for Foreign and Commonwealth Affairs of the United Kingdom, made no reference to Gibraltar in his address to the General Assembly on the same day (A/45/PV.8).

Anglo-Spanish talks

10. It will be recalled that the negotiating process established by the Brussels Joint Communiqué of 27 November 1984 was aimed at overcoming all differences over Gibraltar by promoting cooperation on a mutually beneficial basis, as well as by discussing the issues of sovereignty.

11. Prior to the Conference on Security and Cooperation in Europe (CSCE), held in Paris on 20 November 1990, the Committee for the Preparation of a Summit Meeting met at Vienna on 16 and 17 November 1990. The Spanish delegation to the Committee made the following statement at the Committee's 33rd plenary meeting:

> "The Kingdom of Spain considers that the new European spirit inspiring this Charter of Paris calls, among other things, for the elimination of obsolete colonial situations and that, specifically, it is necessary to put an end to the colonial situation of Gibraltar."

12. In his address to the above-mentioned CSCE conference, the Prime Minister of Spain, Mr. Felipe González, stated:

> "We cannot prolong the existence of anachronistic vestiges of ancient orders which are incompatible with the new Europe we wish to build. For these reasons we trust that through the negotiating process established between the United Kingdom and Spain we will be able to solve the problem of Gibraltar." 4/

13. Following his meeting with Mr. John Major, Prime Minister of the United Kingdom, in May 1991 during his first official visit to the United Kingdom, the Spanish Prime Minister stated that disagreement over Gibraltar was currently the only important obstacle to better relations between their countries and that his Government was waiting for the United Kingdom to take steps to solve this "historic anachronism". Mr. González stated that his country was not prepared to wait indefinitely for a solution to the problem. 5/

14. At meetings in Luxembourg on 26 June and 1 July 1991, the Interior Ministers of the Twelve States members of the European Community (EC) came close to agreement on a convention on the strengthening of the Community's external frontier. 6/ According to the administering Power, 11 EC member States were able to agree on the text of a convention; Spain opposed the text, however, for political reasons, because it included Gibraltar within the Community's external frontier.

15. The delegation of the United Kingdom is reported 6/ to have held that since Gibraltar was part of EC under article 227 of the Treaty of Rome, exempting Gibraltar from the convention or making its inclusion subject to a bilateral frontiers agreement would be contrary to Gibraltar's status within EC. The position of Spain, however, as stated by the Permanent Mission of Spain to the United Nations, is as follows:

> "The official Spanish view is that the signing of the agreement would prejudice its position with respect to the sovereignty of the Isthmus, which has been occupied de facto by the United Kingdom in contravention of the provisions of the Treaty of Utrecht. Under the terms of the agreement, Gibraltar airport would form an external frontier of the Community under the jurisdiction of the United Kingdom, and consequently the agreement would constitute a recognition of the alleged British sovereignty over this Territory, which is distinct from the Rock. The existence of a dispute between Spain and the United Kingdom over the sovereignty of the Isthmus has been recognized by the United Kingdom in the Joint Declaration of 2 December 1987 on the use of Gibraltar airport and has been incorporated to date into three legislative enactments of the Community."

Airport agreement

16. According to the administering Power, the United Kingdom and Spain had agreed, subject to the necessary legislation being in place, to the development of Gibraltar airport jointly coordinated by the British and Spanish authorities; the British Government had made clear at the time that they could not impose it on Gibraltar if the latter did not wish to implement it. (See also A/AC.109/1007, paras. 22 and 23.)

17. During the Anglo-Spanish talks that took place in London in February 1989 (see A/AC.109/1007, para. 26), the Foreign Minister of Spain stated that his country would consider building its own airport on the Spanish side of the Gibraltar border if the Government of Gibraltar continued to block the Anglo-Spanish agreement on the joint use of the airport. This proposal was reiterated by Prime Minister González during his meeting with Prime Minister Major in May 1991 in London. 5/

18. In the latter half of 1989 the Gibraltar Government took legal action against the Council of Ministers of the European Communities in the form of an appeal to the European Court of Justice in Luxembourg, requesting the abolition of one of the provisions of Directive 89/463 of the Council of the

European Communities concerning interregional air services, which suspends the application of that directive to Gibraltar airport until the arrangements made in the Joint Declaration of December 1987 come into operation. 7/

19. The Governments of Spain and the United Kingdom, as well as the Commission of the European Communities, separately decided in January, February and May 1990, respectively, to intervene in the case in support of the Council of Ministers of the European Communities, requesting that the application be rejected as inadmissible. 8/

20. Having been excluded from the European Community air liberalization programme, at present Gibraltar has scheduled air links to London and Manchester only. 9/ An earlier service to Morocco has now been discontinued.

21. An expanded airport is an important factor in Gibraltar's economic growth and its future development as a financial centre. The running costs of the airport have been assumed to date by the Ministry of Defence of the United Kingdom. 9/

22. According to the administering Power, the Gibraltar Government, headed by Mr. Joe Bossano, the Chief Minister, continues to refuse to implement the airport agreement, seeing in it a concession of sovereignty to Spain.

D. Other developments

23. A delegation from the Territory participated in the Tenth Commonwealth Parliamentary Conference of Members from Small Countries, held at Harare on 13 and 14 September 1990. The Conference, which is held annually for parliamentarians from Commonwealth countries with populations of 250,000 or less, was attended by members of 29 Commonwealth parliaments. It focused on the following problems: the increasing cost to small countries of reliance on large nations for tertiary education; disaster rehabilitation; the ability of small Territories to handle the expense of an ageing population; and the effects of uncontrolled immigration on small communities. Addressing the opening session devoted to education, the Speaker of Gibraltar's House of Assembly suggested that small Territories pool their expertise to establish regional colleges and that the Commonwealth secretariat act as a catalyst to assist in the development of such regional institutions. 10/

IV. ECONOMIC CONDITIONS

A. General

24. Gibraltar has no known natural resources. Industries, trades and services in the Territory are mainly involved in supplying the needs of the civilian community and the garrison. The economy of Gibraltar is largely dependent on tourism and the provision of financial services such as banking, insurance, shipping and portfolio management. The Territory's per capita

gross domestic product for 1988/89 was estimated at £5,639 and the per capita gross national product at £5,942. 11/ The inflation rate for 1989 was 5.1 per cent.

25. With a wide-ranging development programme endorsed by the Chief Minister, the economic growth of the Territory showed 8.6 per cent and 10 per cent increases, respectively, for 1988 and 1989 - a progress deemed well in keeping with the Government's goal of 50 per cent growth by 1992. According to the Chief Minister, land and people were Gibraltar's only real assets and economic success would be possible only through restructuring and redeployment of available resources from less productive to more productive areas and occupations. The Chief Minister further stated that as the year 1992 approached - the year Europe is to become a single market - it was imperative for the Territory to prepare itself for the new competitive era by "bringing Gibraltar up to the standards of the rest of Western Europe". 12/

B. Public finance

26. Financial assistance by the United Kingdom to Gibraltar in the financial year 1988/89 amounted to £8,733,000. 13/ The Territory's outstanding debt under the British Overseas Development Administration at the end of the same period stood at £902,075. The United Kingdom expenditure on aid to Gibraltar in 1989/90 was expected to amount to approximately £500,000. 14/

27. For the fiscal year ending 31 March 1989, the Government of Gibraltar registered the following summary of revenue and expenditure:

Revenue receipts

(millions of pounds)

Income tax	29.48
Import duties	13.88
Internal revenue	10.66
Municipal service receipts	13.11
Revenue from government property	5.06
Other	11.31
	83.50

Revenue expenditure

(millions of pounds)

Social services	31.72
Public works	9.13
Municipal services	12.40
Justice, law and order	5.27
Administration	5.84
Debt service cost	2.74
Other	7.11
	74.21

Expenditure of a capital nature is financed through the Improvement and Development Fund. During 1988/89, the Fund received:

	£
Development aid funds	570 435
Contributions and reimbursements	51 833
Sale of government properties	4 119 159
Interest	13 930
	4 755 357

28. Government expenditure on capital projects for the four-year period 1985-1989 was as follows:

	1985/86	1986/87	1987/88	1988/89
	(pounds)			
Housing	1 492	1 085	437	1 159
Education	247	221	102	437
Amenities and tourism	-	-	189	176
Miscellaneous	475	81	1 177	748
Additional projects	2 928	2 758	2 053	6 857
	5 142	4 145	3 958	9 377

The administering Power estimates that government capital investment would amount to approximately £15 million during 1989/90.

C. Trade

	Total imports	Total exports
	(millions of pounds)	
1988	144.8	46.1
1989	200.5	76.1
Percentage change	38.5%	65.1%

29. According to information provided by the administering Power, the value of imports, excluding fuels, amounted to £165.5 million during 1989. The balance of visible trade in 1989 recorded a deficit of £124.4 million, compared to £99 million in 1988. According to the administering Power, the deficit is estimated to have been significantly reduced after invisibles are taken into account.

30. Approximately 40 per cent of Gibraltar's non-fuel imports are from the United Kingdom, with Japan and Spain being the Territory's other main suppliers. About 14 per cent of total imports (valued at £24 million in 1989) were foodstuffs from the United Kingdom, Morocco and Spain. Exports of goods of local origin remained negligible and the Territory continued to depend on the entrepôt trade consisting of re-exports of petroleum and petroleum products supplied to shipping.

D. Investment, finance and banking

31. As of 31 December 1989, 7,953 companies were registered under the Companies (Taxation and Concession) Ordinance. These business concerns are exempted from the payment of income tax, irrespective of amount of profits made and whether or not these profits are received in the Territory. The exemption also applies to dividends, interest and directors' fees and annual payments made to non-residents. Shares and debentures held in an exempt company are also not liable to estate duty in the Territory. Unless otherwise authorized, the above concerns may not carry on trade or conduct business in Gibraltar, and no Gibraltarian or resident of the Territory may have any beneficial interest in such a company's shares.

32. Gibraltar's rapid development as an offshore financial centre has led to criticism that it is becoming a haven for tax dodgers and money launderers. In this connection, it was reported 15/ that on 6 July 1991, Gibraltar's Commissioner for Banking had ordered the closure of the single branch in the Territory of the Bank of Credit and Commerce International (BCCI) in the wake of alleged involvement of that institution in illegal financial operations. Owing largely to tax exemptions, Gibraltar has also become the largest single source of investment in real estate in Spain, with a large number of Gibraltarians either living or owning property in Spain. 5/

E. Transportation

33. According to parliamentary debates, 16/ the Government of the United Kingdom has repeatedly urged the Spanish Government to allow the ferry service between Gibraltar and Algeciras to operate. According to the same source, the British Government, having failed in its attempts to persuade the Spanish Government to do so, has taken the matter up with the European Commission. According to a communication received from the Permanent Mission of Spain to the United Nations:

> "Spain for its part maintains that the resumption of the ferry service was agreed upon in the Joint Declaration adopted by Spain and the United Kingdom in London on 2 December 1987 and is linked to the implementation of the Agreement of the same date on the joint use of Gibraltar airport."

F. Construction

34. According to information provided by the Government of the United Kingdom, Her Majesty's Dockyard, which was commercialised on 1 January 1985, is being managed for the territorial Government by Gibraltar Shiprepair Limited. The shiprepair yard is called "Gibrepair".

35. Significant private sector investment in the construction of residential units and commercial property has also been reported. In a joint venture with the Government of Gibraltar, Taylor Woodrow International is expected to develop a residential, commercial and marine centre valued at £90 million, in Gibraltar's old harbour in the near future. The project, known as Queensway Quay, will occupy some 9.3 hectares on Gibraltar's west coast. 17/

36. A factory for building and construction components is currently under construction. Upon completion, it is expected to supply prefabricated components to the construction industry in the Territory. The territorial Government is in the process of building an industrial park.

G. Tourism

37. The total number of tourist arrivals in 1989 is reported to be 3,984,177, compared to 3,770,619 in 1988. Hotels registered an increase in occupancy of 4.6 per cent during 1989. The full opening of the land border by Spain in February 1985 continues to be the main reason for the increased influx of visitors.

V. SOCIAL AND EDUCATIONAL CONDITIONS

A. Labour

38. During the period under review, the total composition of the public service in the Territory consisted of 2,136 officers. Of these, 32 were expatriate officers recruited from overseas; 131 were senior local officers and the rest also residents of the Territory.

39. Since 1978, public sector wages and salaries have been equated at full parity with those in the United Kingdom. Wages in the private sector generally tend to move in line with the public sector. In 1989, wages rose by an average of 10 per cent while the annual inflation rate was estimated at 5.1 per cent. Unemployment benefits are paid out of the Social Insurance Fund.

40. According to the latest figures available, the workforce in Gibraltar totalled 14,311 at the end of December 1989. Unemployment stood at 613 for the same period. The industries with the highest employment levels are the ship repairing and the construction industry. The policy of priority of opportunity of employment for Gibraltarians and European Community nationals and the strict application of the quota system ensure that unemployment is kept as low as possible. In practice, the labour force available from these sources is insufficient and a substantial immigrant labour component exists in the Territory. During the period under review, there was no evidence of residents of the Territory emigrating to seek employment elsewhere.

41. Since January 1974, there has been an agreement between the Government of Gibraltar and the United Kingdom on social security arising from the United Kingdom's and Gibraltar's accession to the European Common Market.

B. Human rights

42. The Gibraltar Constitution Order 1969 guarantees the protection of the fundamental rights and freedoms of the individual and the maintenance of a Supreme Court with unlimited jurisdiction to hear and determine any civil or criminal proceedings under any law and with such jurisdiction and powers as are conferred upon it by the Constitution of Gibraltar, or any other law. The courts of law of the Territory consist of a Court of Appeal, a Supreme Court, the Court of First Instance and the Magistrates' Court.

43. The Substantive Law of the Territory is contained in Orders in Council and enactments of the Parliament of the United Kingdom which apply to Gibraltar, and in locally enacted ordinances, subsidiary legislation, the common law and the rules of equity in force in the United Kingdom, so far as they are applicable to the Territory.

C. Law and order, drug trafficking

44. No major crimes were reported in the Territory during the period under review. The number of convicts in the Territory's prison during 1989 was 148.

45. According to press reports, 18/ at a meeting of the Trevi Group at Dublin in June 1990, Spain's Minister of the Interior, Mr. José Luis Corcuera, proposed the signing of a police and customs cooperation treaty with his counterpart in the United Kingdom, Mr. David Waddington. A dossier containing details of how the "fast launch tobacco smuggling operation" has been gradually switched from Galicia in northern Spain to Gibraltar and the Campo area had apparently been presented to the British authorities. Later reports emanating from Dublin suggested that the United Kingdom was being asked to send an investigation team to look into Spain's allegations. Gibraltar's Attorney General, Mr. Ken Harris, said that he knew nothing of any such investigation. He stated that it remained his policy to assist the Spanish authorities and to help in any way he could.

46. Gibraltar's Chief Minister, Mr. Joe Bossano has underscored his support for efforts to stamp out drug dealing and money laundering. He emphasized Gibraltar's eagerness to protect itself from anyone trying to use Gibraltar for such activities. 19/

D. Housing

47. During 1989, an extensive sea reclamation scheme carried out in the harbour waters of Gibraltar increased the total flat land of the Territory by 10 per cent to 613 hectares.

48. The total population of Gibraltar is estimated to be 30,689, with an average population density of 40.3 persons per hectare Outside the city walls, two housing estates are reported to have a density of 479.5 persons per hectare; within the city walls, the population density is 127.6 persons per hectare.

49. Overcrowding is considered a major social problem in the Territory. The housing shortage is reported to have become worse owing to a high percentage (approximately 67 per cent) of below-standard housing. In 1986, Government-rented accommodation stood at 67.8 per cent, privately rented accommodation at 26.3 per cent and owner occupancy at 5.9 per cent. Since the full opening of the land frontier with Spain in February 1985, however, construction of private housing has increased significantly, with 3,500 units expected to be constructed by the private sector over the next 5 to 10 years. The Government has designated land for a further 1,300 units for families on the waiting list for housing units.

E. Public health

50. The Government's medical and health services consist of hospital services, medical treatment by specialists outside government hospitals where such treatment is beyond the scope of local resources, child welfare and school health services, domiciliary and out-patient treatment of persons coming under the scope of the District Medical Service, the Domiciliary Medical Service, the Ports and Airport Health Service and the Environmental Health Service and Laboratories.

51. According to the latest figures available, recurrent expenditure on public health in 1988/89 amounted to £9.7 million, compared with £7.3 million in the preceding period.

52. In 1988/89, there were 31 government and 73 private physicians, 170 senior nurses, 70 partially trained nurses and 104 other public health service workers employed in the Territory. Medical facilities include a 192-bed hospital, a maternity centre and two other medical institutions. The vast majority of the population has access to medical services through the Group Practice Medical Scheme.

F. Education

53. Education is free for all children up to "A" level standard and is compulsory for those between 5 and 15 years of age. At the end of 1989, 2,756 pupils were enrolled in the 12 government primary schools, 172 in the one private primary school and 639 in the two services primary schools, making a total of 3,567 students. A further 1,882 pupils were enrolled in 2 government secondary schools. The language of instruction is English; Spanish is taught as a second language, particularly in the secondary schools. In addition, there were also 13 private and 2 government nursery units, as well as 2 facilities for handicapped and retarded children and adults. During the same period, there was a total of 322 teachers for all schools.

54. Technical and vocational training is provided equally to males and females at the two government comprehensive secondary schools, as well as at the Gibraltar College of Further Education. The College, which offers one- and two-year general engineering courses, has since 1985 also offered business/commercial education, technical education and a range of adult education and evening classes, as well as training of apprentices for the Government and the private sector. At the end of 1988, 114 full-time students were enrolled at the College. The College also offers an expanding programme of adult education and evening classes which have an enrolment of 800 students annually. The Commercial School, which is part of the Girls' Comprehensive School, continues to offer two-year courses for secondary-school girl students who then take the Stage I Royal Society of Arts Examinations.

55. Under the Educational Awards regulations which came into effect in August 1988, 79 scholarships were awarded to students to enable them to study at the college level in the United Kingdom.

56. The recurrent expenditure during 1988/89 for education was reported to be £6.8 million, representing 9.7 per cent of total government recurrent expenditure.

G. Environment

57. The Washington Convention on International Trade in Endangered Species of Wild Fauna and Flora has been extended to apply to Gibraltar as a dependent Territory for which the United Kingdom, a contracting party to the Convention, has responsibility. The Endangered Species (Imports and Exports) Ordinance of 1976 gave effect in the Territory to the provisions of the Washington Convention. The Animals and Birds Ordinance protects fauna in the Territory and the Heritage Trust Ordinance provides for the protection of sites of natural beauty and scientific interest.

58. With the increasing awareness of the need to safeguard the Territory's environment, concerned organizations have stepped up their activities and have suggested measures to the Government to deal effectively with problems such as garbage disposal and recycling, the treatment of sewage, energy efficiency, pollution control and protection of the environment. In responding to protests made by various environmental groups, the Minister for Government Services, Mr. Juan Carlos Pérez, stated that the Government was always open to suggestions on those matters. Suggestions put forward include the introduction of on-the-spot fines for littering, observance of European Community and other international pollution control regulations by all current and future industrial installations on the bay and enforcement of laws on noise pollution and exhaust emissions. 20/

Notes

1/ The information contained in the present paper has been derived from published reports and from information transmitted to the Secretary-General by the Government of the United Kingdom of Great Britain and Northern Ireland under Article 73 e of the Charter of the United Nations on 24 June 1991 for the year 1989.

2/ For details, see Official Records of the General Assembly, Twenty-fourth Session, Supplement No. 23 (A/7623/Rev.1), vol. III, chap. XI, annex, paras. 7-23.

3/ Gibraltar Chronicle, 30 March 1990.

4/ El País (Madrid), 21 November 1990; Summary of World Broadcasts, 24 November 1990.

5/ Financial Times (London), 9 May 1991.

6/ Diário de Notícias (Lisbon), 27 June 1991; Financial Times (London), 27 June 1991; The Independent, 27 June 1991; El País (Madrid), 30 June 1991.

7/ Official Journal of the European Communities, L.226, 3 August 1989. Directive of the Council of 18 July 1989 (89/463/EEC); ibid., L.374, 31 December 1987. Decision of the Council of 14 December 1987 (87/602/EEC).

8/ Gibraltar Chronicle, 9 November 1989, 6 January and 7 February 1990.

9/ The Observer (London), 2 December 1990; Gibraltar Chronicle, 19 June 1990; The Island Sun, 12 January 1991.

10/ The Parliamentarian, Journal of the Parliaments of the Commonwealth, January 1991, LXXII, No. 1.

11/ The legal tender currency of the Territory is the pound sterling. Also legal tender are Gibraltar government currency notes of £50, £20, £10, £5 and £1 denominations and Gibraltar government coinage.

12/ Gibraltar Chronicle, 14 August 1989 and 24 March 1990; Reuters dispatch, 4 May 1990.

13/ House of Commons, Parliamentary Debates, (Hansard), 13 November 1989.

14/ Ibid., 11 December 1989; 19 January 1990.

15/ Financial Times (London), 5, 6 and 10 July 1991.

16/ House of Lords, Parliamentary Debates, 13 March 1990.

17/ Financial Times (London), 29 October 1990.

18/ Gibraltar Chronicle, 16 June 1990.

19/ Ibid., 19 June 1990.

20/ Ibid., 24 April 1990.

UNITED
NATIONS

A

General Assembly

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GENERAL

A/AC.109/1074/Corr.1
14 August 1991

ORIGINAL: ENGLISH

SPECIAL COMMITTEE ON THE SITUATION
WITH REGARD TO THE IMPLEMENTATION
OF THE DECLARATION ON THE GRANTING
OF INDEPENDENCE TO COLONIAL COUNTRIES
AND PEOPLES

GIBRALTAR

Working paper prepared by the Secretariat

Corrigendum

1. Page 6

(a) Paragraph 14

For the existing text substitute

14. At meetings in Luxembourg on 26 June and 1 July 1991, the Interior Ministers of the Twelve States members of the European Community (EC) came close to agreement on the convention between the States members on the demarcation of the external frontier. 6/ According to the administering Power, 11 EC member States were able to agree on the text of a convention; Spain opposed the text, however, for political reasons, because it included Gibraltar within the Community's external frontier.

(b) Paragraph 15

For the existing text substitute

15. The delegation of the United Kingdom is reported 6/ to have held that since Gibraltar was part of EC under article 227 of the Treaty of Rome, exempting Gibraltar from the convention or making its inclusion subject to a bilateral frontiers agreement would be contrary to Gibraltar's status within EC.

16. The official Spanish view is that the signing of the agreement would prejudice its position with respect to the sovereignty of the Isthmus, which has been occupied de facto by the United Kingdom in contravention of the provisions of the Treaty of Utrecht. Under the terms of the agreement, Gibraltar airport would form an external frontier of the Community under the jurisdiction of the United Kingdom, and consequently the agreement would constitute a recognition of the alleged British sovereignty over this Territory, which is distinct from the Rock. The existence of a dispute between Spain and the United Kingdom over the sovereignty of the Isthmus has been recognized by the United Kingdom in the Joint Declaration of 2 December 1987 on the use of Gibraltar airport and has been incorporated to date into three legislative enactments of the Community. 7/

(c) Paragaph 16

Renumber paragraph 16 as 17 and for the existing text substitute

17. According to the administering Power, the United Kingdom and Spain had agreed that, when the British authorities enacted the necessary legislation, the two parties should jointly coordinate expansion of civilian use of the Gibraltar airport. The British Government had made clear at the time that they could not impose it on Gibraltar if the latter did not wish to implement it. (See also A/AC.109/1007, paras. 22 and 23.)

2. Page 7, paragraph 21, line 1

For 21. An expanded airport read 22. Expansion of civilian use of the airport

3. Not applicable to Arabic, Chinese, English, French or Russian.

4. Page 11, paragraph 33

Renumber paragraph 33 as follows and for the existing text substitute

34. According to parliamentary debate, 17/ the Government of the United Kingdom has repeatedly urged the Spanish Government to allow the ferry service between Gibraltar and Algeciras to operate. According to the same source, the British Government, having failed in its attempts to persuade the Spanish Government to do so, has taken the matter up with the European Commission.

35. Spain for its part maintains that the resumption of the ferry service was agreed upon in the Joint Declaration adopted by Spain and the United Kingdom in London on 2 December 1987 and is linked to the implementation of the Agreement of the same date on the joint use of Gibraltar airport. 7/

5. Renumber all affected paragraphs accordingly.

6. Renumber all affected footnotes in the text accordingly.

7. Page 16

After footnote 6 insert the following new footnote 7

7/ Information received from the Permanent Mission of Spain to the United Nations.

and renumber all footnotes accordingly.

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NATIONS

A

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29 July 1991

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SPECIAL COMMITTEE ON THE SITUATION WITH
REGARD TO THE IMPLEMENTATION OF THE
DECLARATION ON THE GRANTING OF
INDEPENDENCE TO COLONIAL COUNTRIES
AND PEOPLES

ACTIVITIES OF FOREIGN ECONOMIC AND OTHER INTERESTS WHICH ARE IMPEDING THE IMPLEMENTATION OF THE DECLARATION ON THE GRANTING OF INDEPENDENCE TO COLONIAL COUNTRIES AND PEOPLES IN ALL TERRITORIES UNDER COLONIAL DOMINATION AND EFFORTS TO ELIMINATE COLONIALISM, APARTHEID AND RACIAL DISCRIMINATION IN SOUTHERN AFRICA

CAYMAN ISLANDS

Working paper prepared by the Secretariat

1. Basic information on economic conditions in the Cayman Islands with particular reference to foreign economic interests is contained in the working paper prepared by the Secretariat in 1991 (A/AC.109/1056). Supplementary information on the activities of foreign economic interests in the Territory is set out below. 1/

2. Foreign investments continue to represent an important share in the main economic sectors of the Territory, namely, finance, insurance, tourism, real estate and construction. They are generally encouraged by the territorial Government as an important source of economic growth as they provide substantial amounts of capital and foreign exchange. The Territory's economy has demonstrated stable and unprecedented growth during the last decade. The standard of living in the Territory in 1989 was the highest in the Caribbean and one of the highest in the world. As of 1989, the gross domestic product of the Cayman Islands reached $CI 429 million, or $CI 16,800 per capita. 2/ The Cayman Islands is the fifth world financial centre, following the United Kingdom of Great Britain and Northern Ireland, Japan, the United States of America and France. 3/

3. The territorial Government, during the period under review, continued to promote the Cayman Islands as one of the world's largest financial centres.

Further steps have been taken to attract such foreign investments as could be beneficial to the Territory.

4. As a part of that continued process, the supervision of foreign investment is carried out by the Banking Supervision Department and governed by banking and trust laws. The Department monitors operations of foreign investors and ensures adherence to the territorial guidelines and requirements. Those accord in full with the standards of the Basel Concordat, an international body comprising supervisory authorities around the world. 4/

5. At the same time, the Government continued to take steps aimed at protecting the economic structure of the Territory from illicit activities of foreign economic interests, such as drug trafficking, money laundering, smuggling of funds, tax evasion and other forms of economic fraud. To that end, in 1989, the territorial Government, along with the Governments of the United Kingdom and the United States, signed a Mutual Legal Assistance Treaty which provides for the exchange of information on a range of crimes. In 1989, the Treaty was ratified by the United States Senate. 5/ The Cayman Islands is a member of a Caribbean Customs Agreement entitled "The Memorandum of Understanding regarding Mutual Assistance and Cooperation for the Prevention and Repression of Customs Offenses in the Caribbean Zone" aimed at preventing problems arising from smuggling of funds, money laundering and false invoicing, as well as detecting various kinds of white-collar fraud and drug trafficking. 6/

6. According to press reports, a United States Department of State official said that the Cayman Islands was a "favourite location for money launderers". 7/ That statement caused the territorial Government considerable concern and was followed by a representation of the Attorney-General of the Cayman Islands to the United States Department of State expressing his Government's continued readiness to cooperate in investigations of alleged drug trafficking and money laundering.

7. It was reported that, on 5 July 1991, regulators in seven countries, namely, Luxembourg, the United Kingdom, the Cayman Islands, Spain, France, Switzerland and the United States, seized control of the Bank of Credit and Commerce International (BCCI), a private banking group, on the ground of widespread fraud. The Bank, which is based in Luxembourg, has assets of approximately $US 20 billion and operates in 69 countries. BCCI is 77 per cent owned by the Sheikh of Abu Dhabi and his Government. The Bank's Cayman Islands registered subsidiary, known as BCCI Overseas, has $7.5 billion in assets. 8/ In 1990, BCCI was found guilty of laundering drug money in Tampa, Florida, United States, and was reported to forfeit an amount of $US 5 million. 9/ According to the Bank of England, the freezing of the assets of BCCI may have left a number of banks throughout the world exposed to losses totalling about $US 2 billion and could result in failed trades in dollar-denominated transactions in the international markets. On 6 July 1991, Gibraltar's Commissioner for Banking ordered the closure of the single BCCI branch in Gibraltar. He reportedly stated that some 90 per cent of its funds had been placed with its affiliate in the Cayman Islands. 8/

8. Ashland Oil, Inc., a United States company, was reported to have been linked to a case of corporate espionage. 10/ In September 1989, a former Chairman of Ashland Oil reportedly pleaded guilty in a Manhattan criminal court to criminal charges of trying to sell the company's secrets to a third party. The Cayman Islands based company, International Consulting Services, Ltd., set up in 1984 by a Florida lawyer, was reportedly indicted on seven criminal charges of conspiring with Ashland Oil to sell corporate secrets to the same party.

9. During the period under review, a number of companies were involved in stamp duty evasion operations. According to press reports, the 1989 real estate transactions included 414 (312 in 1988) land transfers "for natural love and affection", which are not subject to the normal 7.5 per cent stamp duty. 11/ This legal loophole for avoiding the stamp duty led to a significant decrease in that source of government revenues.

Notes

1/ The information contained in this paper has been derived from published reports and from the information for 1990 transmitted to the Secretary-General on 30 January 1991 by the Government of the United Kingdom of Great Britain and Northern Ireland under Article 73 e of the Charter of the United Nations.

2/ The local monetary unit is the Cayman Islands dollar ($CI). Under the Articles of Agreement of the International Monetary Fund, the value of the Cayman Islands dollar in relation to the United States dollar is fixed at $CI 1.00 = $US 1.20.

3/ The Cayman Islands Annual Report 1989, published by the Government of the Cayman Islands (George Town, Grand Cayman, British West Indies), p. 4.

4/ Ibid., p. 33.

5/ Ibid., p. 25.

6/ The Caymanian Compass, 16 November 1990.

7/ Ibid., 5 May 1989.

8/ The New York Times, 5 July 1991; see also The Financial Times (London), 5-6 July and 10 July 1991.

9/ The Caymanian Compass, 10 January 1990.

10/ Barbados Advocate, 18 September 1989.

11/ The Caymanian Compass, 8 October 1990 and 18 January 1991.

UNITED NATIONS

A

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SPECIAL COMMITTEE ON THE SITUATION WITH REGARD TO THE IMPLEMENTATION OF THE DECLARATION ON THE GRANTING OF INDEPENDENCE TO COLONIAL COUNTRIES AND PEOPLES

ACTIVITIES OF FOREIGN ECONOMIC AND OTHER INTERESTS WHICH ARE IMPEDING THE IMPLEMENTATION OF THE DECLARATION ON THE GRANTING OF INDEPENDENCE TO COLONIAL COUNTRIES AND PEOPLES IN ALL TERRITORIES UNDER COLONIAL DOMINATION AND EFFORTS TO ELIMINATE COLONIALISM, APARTHEID AND RACIAL DISCRIMINATION IN SOUTHERN AFRICA

UNITED STATES VIRGIN ISLANDS

Working paper prepared by the Secretariat

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D. Telecommunications and airline services	17 - 23	6

UNITED STATES VIRGIN ISLANDS 1/

INTRODUCTION

1. Basic information on political, economic and social conditions in the United States Virgin Islands is contained in the general working paper prepared for the current session of the Special Committee (A/AC.109/1064 and Corr.1). Information contained in the present paper is confined to foreign economic interests operating in the Territory.

I. ROLE OF FOREIGN CAPITAL

2. The Territory's relations with, and proximity to, the United States of America, together with its tropical climate, have continued to be an attraction to businesses in the United States and elsewhere. In an attempt to broaden its economic base and reduce its dependence on tourism, the territorial Government has embarked on an ambitious economic development programme aimed at the establishment of a sound economic and social infrastructure and the stimulation of industrial growth. The Governments of both the United States and the Territory have introduced a range of new tax incentives to United States and foreign private investors, which should increase benefits locally.

3. The main areas of foreign investment, primarily from the United States, continued to be tourism and property development, manufacturing and international business. Telecommunications and airline services are owned exclusively by foreign interests.

4. As in the previous year, the Governor in his State of the Territory address, on 28 January 1991, highlighted the recovery efforts of the Territory following the devastation by hurricane Hugo and the importance of economic diversification to the future development of the Territory. While recognizing the major role played by tourism and outlining the tourist promotion measures that were necessary for its recovery, the Governor pointed out that the goal of his administration was economic expansion so that a decline in one area of economic activity could be offset by increases in another. He declared that the Territory would continue its efforts to encourage light, non-polluting industries. He added that in order to reach its goal of diversification, the territorial Government would strengthen the review process of all businesses receiving benefits from the Government.

II. MAJOR DEVELOPMENT ACTIVITIES

A. Tourism and property development

Tourism

5. Tourism and related activities continued to be the main economic sector. During the period under review, the industry, which had been severely damaged by the hurricane in 1989, particularly on St. Croix, recorded increases in the number of tourists visiting the Territory, occupancy rates and tourist expenditure: in 1990, over 1.8 million tourists visited the Territory (1.76 million in 1989); and tourist expenditure was estimated at $706.5 million ($682.1 million in 1989). The number of cruise-ship passengers also increased in 1990. During the year, however, the number of tourism-related workers declined by 7.5 per cent from 9,510 in 1989 to 8,800.

6. The Governor noted in his State of the Territory address in January 1991 that the pace of overall recovery of the Territory was threatened by the war in the Persian Gulf and the recession on the east coast of the United States. He pointed out that the main tourist season (December 1990 through April 1991), which was usually strong, would also be adversely affected by these factors. Press reports in May 1991 confirmed that assessment and indicated that total occupancy rates for the first quarter of the year were 61.6 per cent, or 11.4 per cent lower than those for the same period in 1990. Occupancy rates for St. Croix averaged 57.7 per cent, while those for St. Thomas-St. John were 62.8 per cent. Airline arrivals for the first quarter also lagged behind 1990 figures. A spokesman for the St. Thomas-St. John Hotel Association noted that the favourable impact of the association's overseas marketing programme would not be fully felt by local hotels until later in the summer. 2/

7. In a related development, it was reported in June 1991 that the largest hotel on St. Croix, the 158-room Carambola Beach Resort, had ceased operations owing to debt problems and high vacancy rates. According to the General Manager, the owners of the hotel went into bankruptcy in 1990 and the mortgage holders, a consortium of insurance companies which had been funding the hotel, subsequently withdrew their support in the face of record low occupancy rates at the hotel. The United States-based Greenbrier Resort Management Company, which managed the hotel, also terminated its contract with the owners for non-payment of bills dating back to October 1990.

8. The Governor expressed concern at the closing of the hotel and directed the Labour Department to take the necessary steps to cushion the impact of the closing and the loss of 150 jobs. He noted that the closing of the hotel was a serious blow to the economy of St. Croix and of the entire Territory. 3/

Property development

9. Information concerning property development by foreign economic interests is contained in the general working paper on the Territory (A/AC.109/1064 and Corr.1, paras. 44 and 45). Further developments are given below.

10. It was reported on 12 June 1991 that the West Indian Company, Ltd. (WICO), a wholly owned subsidiary of the East Asiatic Company of Denmark, had applied to the territorial Government for approval to develop 17 hectares of land along the Charlotte Amalie Harbour, at an estimated cost of $94 million. The application contained a master plan for the development of the WICO property over a 15-year period. The plan envisaged the construction of several facilities, including a six-storey, 282-unit hotel/condominium complex; a three-storey, 100-unit hotel and a 105-berth marina; a cluster of commercial buildings and a four-storey parking garage for 560 cars. The plan would have an environmental impact since a total of 1,052 vehicles would be accommodated throughout the development and 569 metric tons of sewage and 3.3 metric tons of solid waste were expected to be produced daily.

11. According to the local press, control by the current territorial Government over the proposed WICO development was limited by an agreement, signed by a previous territorial Government, the United States Government and WICO and ratified by the Virgin Island Senate in 1982. In addition, the United States Third Circuit Court of Appeal had upheld the above agreement and ruled in favour of WICO in 1987. A further appeal by a local community-action group, Save Long Bay Coalition, Inc., to the United States Court of Appeal for a hearing had been denied. 4/ The current administration of the Territory, environmentalists and community groups continue to challenge WICO, however, over property rights as well as its planned developments in the harbour area. A representative of Save Long Bay Coalition continues to petition the United Nations on the matter and appeared before the Special Committee on 1 August 1990 (A/AC.109/PV.1363). The representative also appeared before the Subcommittee on Small Territories of the Special Committee at its 628th meeting, on 4 June 1991.

B. Manufacturing

12. St. Croix remained the location of the Territory's manufacturing sector. Amerada Hess Oil Refinery, a United States concern, through a local subsidiary, the Hess Oil Virgin Islands Corporation (HOVIC), operates the largest refinery in the western hemisphere. It has the capacity to produce 728,000 barrels (nearly 152,000 kilolitres) a day. A growing number of small enterprises produce rum, electronic components, watches and pharmaceutical products. The Virgin Islands Alumina Company, a subsidiary of the Switzerland-based Clarendon Company, a major aluminium producing and trading company, was reported to have resumed operations in the Territory (see A/AC.109/1064 and Corr.1, para. 53).

13. Governor Farelly announced in August 1990 that the territorial Government had signed an agreement with HOVIC to begin construction of a $550 million fluid catalytic-cracking complex on St. Croix, which would provide a significant inflow of capital and generate employment in the Territory. A spokesman for the company told the local press in September 1990 that the daily production of the refinery, which had averaged 296,000 barrels in 1988, rose to 397,000 in 1989 and was over 400,000 in the first quarter of 1990. He noted that the bulk of current production was residual fuel or heating oil but, with the installation of the catalytic-cracking facility, the refinery would produce mainly gasoline, which was in greater demand and more profitable. 5/

14. According to The Daily News of 30 January 1991, the Amerada Hess Corporation reported that net income for the fourth quarter of 1990 was three times higher than for the same period in 1989, partly as a result of hurricane-related insurance payments to the Hess Virgin Islands Corporation. Net income for the fourth quarter of 1990 was $235.2 million, as compared to $70.8 million for the same period in 1989. Earnings for the fourth quarter of 1990 included $87.3 million from the settlement of business-interruption insurance claims for the local refinery after the hurricane. Net income for 1990 as a whole was $482.7 million ($476.3 million for 1989). Total unaudited revenues for 1990 were $7.1 billion, up from $5.7 billion for 1989.

15. In other developments concerning HOVIC during the period under review a United States-based firm was selected to execute a $5 million project for the construction of its administration building on St. Croix, which had been partially demolished by hurricane Hugo. Local labour leaders complained, however, that subcontractors were discriminating against local workers, by hiring off-island workers and paying them higher wages. 6/ In other reports, the United States Federal Bureau of Investigation (FBI) has agreed to evaluate the refinery on St. Croix for possible designation as a key national asset. The request was made by Senator Alicia Hansen, who called upon President Bush and the United States Justice Department during the war in the Persian Gulf to protect the Territory's residents and the oil refinery from terrorist attacks. 7/

C. International business

16. The Lieutenant-Governor remained the authority for the regulation and supervision of domestic and international banks as well as insurance and other companies. Information concerning developments in this sector has been included in the general working paper on the Territory (A/AC.109/1064 and Corr.1, paras. 57-59).

D. Telecommunications and airline services

17. Telecommunication services in the Territory continued to be owned and operated by United States-based interests. In a recent development, the Virgin Islands Public Service Commission (PSC), in September 1990, after three years of protracted negotiations, public hearings and legal challenges, ordered the Virgin Islands Telephone Corporation (VITELCO) to reduce its rates, to give refunds to its customers totalling $1.7 million and to change the way it conducted business with its parent company, Atlantic Tele-Network (ATN). Press reports indicate that VITELCO had violated a number of PSC rulings, including making excessive payments to its parent company, estimated at over $14 million, even after requesting a postponement of the rate reduction of $1.7 million on the ground of financial hardships caused by the hurricane. The recent decision of PSC further strengthens restrictions it had imposed in 1989 on financial dealings between VITELCO and ATN. PSC also ordered VITELCO to submit within 60 days a plan to separate it from its affiliates with respect to billing, collection, bookkeeping and treasury functions; to establish and maintain an equity ratio of 25 per cent in 30 days, which would mean recovering funds paid to ATN within the past 18 months; and to resubmit its annual reports for 1989 and 1990. The Commission also requested information on the time and expense of an independent audit of all VITELCO affiliate transactions from the time VITELCO was acquired by ATN to the present. The Chairman of ATN, Mr. Jeoffrey J. Prosser, is also President of VITELCO; and the Chairman of VITELCO, Mr. Cornelius B. Prior, Jr., is President of ATN.

18. In commenting on payments by VITELCO to ATN, Mr. Prior noted that VITELCO, like any other company, returned profits to investors when its board of directors so decided. He noted also that VITELCO had spent $49 million to rebuild the company after the hurricane. VITELCO had borrowed $37 million from the Rural Electric Administration, at 5 per cent interest, and received $12 million in insurance refunds. A further insurance claim of $8 million was being negotiated, as well as an undetermined amount from business interruption insurance. Mr. Prior stressed that the company's request for a $6.7 million annual rate increase from October 1990 was mainly needed to repay its loans and to finance the cost of maintaining the plant. It is estimated that those charges increased from $90 million prior to the hurricane to $130 million after the hurricane. 8/

19. The Territory is served by major United States airlines, including American Airlines and Pan American World Airways, as well as several commuter and regional airlines. Prior to its collapse, Eastern Airlines also provided services to the Territory. The developments in the industry outlined below were reported during the period under review.

20. In October 1990, the Trinidad and Tobago-based British West Indies Airlines (BWIA) inaugurated a service to St. Croix, the first regular service between the Territory and the Eastern Caribbean. BWIA also flies to Europe, as well as North and South America. 9/

21. In January 1991, Eastern Metro Express which served the Territory, St. Maarten/Saint-Martin, the British Virgin Islands and Puerto Rico, changed its name to Sunaire Express. 10/

22. During the same month, a spokesman for Pan American, in seeking to allay the fears of the Territory's hoteliers and residents, stated that the airline's corporate financial problems would not adversely affect its flights to the Territory. The airline considered the United States Virgin Islands to be a stronger destination than other Caribbean locations because of two main factors: the fact that the United States dollar was the official currency of the Territory, and the volume of travel of its residents, which balanced the winter influx of tourists. 11/

23. In March 1991, the American Airlines announcement that it would increase its flights from Atlanta, Georgia, and Canada was favourably received by tourist board officials who noted that the airline's direct flight to the Territory from Canada on 7 April 1991 would be the first such flight. 12/

Notes

1/ The information contained in this paper has been derived from published reports and from information transmitted to the Secretary-General by the Government of the United States of America, under Article 73 e of the Charter of the United Nations, on 8 April 1991.

2/ The Daily News (United States Virgin Islands), 20 May 1991.

3/ Ibid., 14 June 1991.

4/ Ibid., 12 June 1991.

5/ Ibid., 25 September 1991.

6/ Caribbean Update (New Jersey), vol. 6, No. 9, October 1990.

7/ The Daily News (United States Virgin Islands), 10 and 23 April 1991.

8/ Ibid., 7 and 21 September 1990 and 9 and 10 October 1990.

9/ Ibid., 26 October 1990.

10/ Ibid., 23 January 1991.

11/ Ibid., 10 January 1991.

12/ Ibid., 2 March 1991.

UNITED NATIONS

A

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SPECIAL COMMITTEE ON THE SITUATION WITH REGARD TO THE IMPLEMENTATION OF THE DECLARATION ON THE GRANTING OF INDEPENDENCE TO COLONIAL COUNTRIES AND PEOPLES

ACTIVITIES OF FOREIGN ECONOMIC AND OTHER INTERESTS WHICH ARE IMPEDING THE IMPLEMENTATION OF THE DECLARATION ON THE GRANTING OF INDEPENDENCE TO COLONIAL COUNTRIES AND PEOPLES IN ALL TERRITORIES UNDER COLONIAL DOMINATION AND EFFORTS TO ELIMINATE COLONIALISM, APARTHEID AND RACIAL DISCRIMINATION IN SOUTHERN AFRICA

MONTSERRAT

Working paper prepared by the Secretariat

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INTRODUCTION

1. Basic information on conditions in Montserrat is contained in the general working paper prepared for the current session of the Special Committee (A/AC.109/1061). Supplementary information concerning the activities of foreign economic and other interests in the Territory is presented below. 1/

I. ROLE OF FOREIGN CAPITAL IN THE TERRITORY

2. Foreign investment, mainly from Canada, the United Kingdom of Great Britain and Northern Ireland and the United States of America, continues to play a paramount role in the economy of the Territory. Foreign investment is concentrated in such major areas of the economy of Montserrat as tourism, real estate and property development, manufacturing, international business and telecommunications.

3. The policy of the territorial Government is to broaden the economic base of the Territory and to promote private sector investments, including joint-venture projects. The areas of foreign investment continued to be light industry, agro-industries and livestock, and the tourist industry. In December 1990, the Chief Minister and Minister for Finance, in reviewing the economic and financial policies of the Government, noted that in the past 10 years the strategy for increased investments had focused on external investors, but had not met with the level of success that was anticipated. Though still committed to promoting growth through private sector development, the Government's new policy would be the promotion of greater investment through local investment.

4. In that connection, a new system of incentives was announced, which grouped investments into categories according to the levels of investments and their importance in the Territory's development thrust. Foreign investment of less than $US 50,000 will not be granted any concessions. Investments above that level would be granted concessions according to the following categories:

(a) Foreign investments of $EC 50,000 to $EC 100,000 2/ will be offered duty-free concessions only;

(b) Investments of $EC 100,000 to $EC 500,000 will be offered duty-free concessions and a possible tax concession for five years;

(c) Investments of over $EC 500,000 will receive general fiscal incentive schemes for duty-free and tax concessions for up to 10 years.

5. Investors producing for export will also be granted special incentives, such as duty-free or bonded imports of raw materials. Local investors will qualify for duty-free and tax concessions if the level of investment is over $EC 100,000 under the new programme. Concessions are principally for export, or import substitution, both of which will result in foreign exchange

savings. The tax rate for companies was reduced from 40 per cent to 30 per cent, and the amount on which the payment of income tax is not required has been raised from $EC 7,000 to $EC 10,000.

6. The Government also noted that many plots of land in certain development areas were being held by foreigners for speculation and did not contribute to the general development of the Territory. Accordingly, the Government decided to impose further regulation taxes on non-Montserratians. These range from a surcharge of 100 per cent on taxes on land remaining undeveloped for five years to 500 per cent for over eight years. Land development was specified to be the completion of residential, commercial or agricultural projects under existing zoning regulations.

II. TOURISM AND REAL ESTATE DEVELOPMENT

7. Tourism and real estate development, major sectors of the economy of Montserrat, continue to remain largely under the control of expatriates. The major hotels, condominiums and villas are owned and managed by North American and European developers and retirees (see A/AC.109/946, para. 7).

8. The Caribbean Development Bank (CDB) reported that low occupancy rates continued in the months prior to hurricane Hugo, which struck the Territory in September 1989. This was attributed to an increasing shift in preference from hotel to private villa accommodation. More intensive marketing of hotels, especially during the summer months, was recommended, given the significance of the hotel subsector as a leading source of employment. CDB noted the absence of significant linkages between sectors of the economy and suggested the establishment of links between the tourism, agriculture and manufacturing sectors by utilizing locally grown fruits, processed foods, ornamental horticulture and Sea Island cotton products.

9. It was reported in February 1991 that the tourism sector, which had been virtually destroyed by the hurricane, was making a slow recovery. Occupancy rates of villas had recovered to their pre-hurricane levels; one of the two major hotels had reopened and the other was under repair. The first phase of the luxurious Isle Bay Plantation villa complex of six units on the north-western coast was completed. This entire development (by the Miller Renton Group of Britain) was expected to cost $EC 40-50 million. 3/ Other developments include the announcement, in December 1990, that Providence Estate in the north had started construction on the first phase of its 40-unit villa complex.

10. According to the Chief Minister in his Budget Speech in 1990, the territorial Government had requested the services of a tourism adviser, funded by the Commonwealth Fund for Technical Cooperation, to coordinate a systematic approach to tourism marketing in the private and public sectors. The Government also announced that the long-standing Little Bay project, on which the Territory had based its future tourism development, had reached the stage of a first draft development agreement which was being considered by the territorial Government and the United Kingdom.

11. The Secretary-General of the Caribbean Tourism Organization (CTO) reported in March 1991 that the Caribbean tourist industry had lost millions of dollars in revenue in 1989, when hurricane Hugo struck the subregion. He also noted that in 1990 hotels across the Caribbean, which were normally filled to capacity during the height of the winter season (December 1990-April 1991), were only about half full due to the war in the Gulf and the recession in the United States. CTO, of which the Territory is a member, was to launch its newly redesigned "Carib Expo Trade Show" in 18 cities in Canada and the United States between 12 March and 23 April 1991. 4/

III. MANUFACTURING

12. The manufacturing sector comprises a number of small scale enterprises, which are centred on the assembly of electronic components and the production of garments, textiles, leather and plastic goods and some processed goods.

13. Manufacturing production and exports fell during 1989. Most manufacturing plants were damaged by the hurricane. The sector continued to be affected by the problem of a small domestic market and lack of competitiveness. Given the economy's narrow resource base, manufacturers have relied on labour-intensive assembly operations. In March 1990, the Eastern Caribbean Central Bank reported that the long-term outlook for the manufacturing sector was not very optimistic; the electronic components industry had been experiencing marketing problems even prior to the hurricane, and its revival appeared to be doubtful. 5/

14. In his 1991 Budget Speech, delivered in December 1990, the Chief Minister emphasized the need for greater investment in the manufacturing sector and announced various incentives in that connection, aimed at increasing exports and reducing imports (see also para. 4).

15. Three new factories were expected to become operational in the Territory during the first half of 1991. These include an $EC 1 million agro-processing plant, a fibreglass company and a soft-drink and perfume-bottling plant. 5/

IV. INTERNATIONAL BUSINESS

16. Details of the situation leading up to the review and reorganization of the Territory's international financial services sector is contained in the previous working paper (A/AC.109/1031, paras. 12-22) and the current working paper (A/AC.109/1061, paras. 50 and 51). Briefly, an investigation of the sector resulted in the revocation of the licences of most of the offshore financial institutions in the Territory, the transfer of responsibility for the sector from the Chief Minister to the Governor and the appointment of a Regional Financial Services Adviser for the Caribbean dependent Territories by the United Kingdom.

17. In December 1990, the Chief Minister announced that the Territory's Financial Services Centre, which had been in operation for one year, had proved beneficial in re-establishing confidence in the Territory because of the regional links it had established. The future objectives of the Centre included completion of the local register; the formalization and institutionalization of all procedures relating to banks; the expansion of activities of the Centre to include the registration of companies; and the establishment of regulatory procedures for the licensing and control of other financial institutions, such as trusts and insurance companies.

18. In a related development, the Governor announced that Montserrat-based banks and other financial institutions must comply with two United Kingdom Orders in Council which applied to all British dependent Territories, and which froze the assets of the Governments and nationals of Iraq and Kuwait and forbade trade with those countries. 6/

V. TELECOMMUNICATIONS

19. Cable and Wireless (West Indies), Ltd., continues to be the sole provider of local and world-wide telephone, telegraph, telex and facsimile services in the Territory. Details of improvements in telecommunications in the Territory are reported in a working paper of the current session (A/AC.109/1061). In a report in the local newspaper, concern was expressed over telephone rate increases, as demand for more telephones had grown, as well as over the high influx of expatriates to fill key positions in the company. 7/ In a reply published in the same newspaper, the General Manager of Cable and Wireless, Ltd., argued that the most recent revision of telephone rates had been done in September 1988 and that the extension of reduced rates for overseas calls would be considered at the next review. 8/ In his view, the training of local staff was extensive; some 30 persons were expected to attend regional training courses during 1991, and others would attend local and overseas courses in Europe and North America. With regard to expatriates, he observed that staff had been brought in from the United Kingdom, the Caribbean and China to work alongside local staff in the massive task of reconstruction.

Notes

1/ The information contained in this paper has been derived from published reports, including the Caribbean Development Bank Annual Report 1989.

2/ The currency of the Territory is the East Caribbean dollar ($EC). One United States dollar ($US) is equivalent to $EC 2.70.

3/ Caribbean Update (New Jersey, vol. 7, No. 1, February 1991.

4/ Ibid, vol. 7, No. 2, March 1991.

Notes (continued)

5/ Eastern Caribbean Central Bank, Economic and Financial Review, vol. 8, No. 1, March 1990.

6/ The Montserrat Reporter (Plymouth), 7 August 1990.

7/ The Montserrat Mirror (Plymouth), 4 May 1990.

8/ Ibid., 11 May 1990.

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SPECIAL COMMITTEE ON THE SITUATION
WITH REGARD TO THE IMPLEMENTATION
OF THE DECLARATION ON THE GRANTING
OF INDEPENDENCE TO COLONIAL
COUNTRIES AND PEOPLES

ACTIVITIES OF FOREIGN ECONOMIC AND OTHER INTERESTS WHICH ARE IMPEDING THE IMPLEMENTATION OF THE DECLARATION ON THE GRANTING OF INDEPENDENCE TO COLONIAL COUNTRIES AND PEOPLES IN ALL TERRITORIES UNDER COLONIAL DOMINATION AND EFFORTS TO ELIMINATE COLONIALISM, APARTHEID AND RACIAL DISCRIMINATION IN SOUTHERN AFRICA

BERMUDA

Working paper prepared by the Secretariat

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INTRODUCTION

1. Earlier information on economic conditions in Bermuda with particular reference to foreign interests is contained in the working paper on the subject prepared by the Secretariat in 1990 (A/AC.109/1028). The working paper for the current session of the Special Committee (A/AC.109/1063) provides more recent information on general economic conditions in the Territory. Supplementary information on the activities of foreign economic interests in Bermuda is set out below.

I. GENERAL 1/

2. Bermuda's economy is based almost entirely on two principal service industries, namely, tourism and international company business which, for a number of years, have expanded at a steady pace. The Minister for Tourism sets policy on such matters as marketing strategy, hotel phasing and assessment, cruise ships and aviation. The Minster for Finance is in charge of the Government's policy with regard to international business, including the creation and regulation of the proper environment for international company business.

3. The participation of local inhabitants in the general economic development is protected under the law in a number of ways. There is legislation to ensure that Bermudians benefit fully from and control the economic activities generated by the hotel industry and international business. Foreign investment in local companies doing business in Bermuda is restricted to 40 per cent. Under the Companies Act 1981 and the Insurance Act 1978, international companies are prohibited from doing business locally and from owning land, mortgages and land-backed bonds. Property ownership by foreigners is restricted, hence the number of properties available to foreigners is limited. In addition, the Government of Bermuda is committed to a policy of Bermudianization, which guarantees the right to employment to every qualified Bermudian over that of a foreign applicant of equal qualifications.

4. On 21 October 1988, the Senate of the Congress of the United States of America ratified the United States-Bermuda Tax Treaty. The Treaty allows United States companies to deduct expenses incurred at conventions held in Bermuda from their income tax returns. It qualified Bermuda as a place where United States foreign sales corporations can set up subsidiary operations and receive United States trade export incentives. It also put Bermuda-based insurance companies on an equal footing with those in Barbados by being granted exemption from excise taxes on United States insurance risks.

5. The Treaty establishes rules for direct communication between the Minister for Finance of Bermuda and the Treasury of the United States for the exchange of information on taxes, an important goal for the United States Administration in its war against the laundering of money obtained from drug trafficking and tax evasion.

II. INTERNATIONAL BUSINESS ACTIVITY

6. According to international experts in the "captive" insurance industry, 2/ Bermuda should remain a major offshore base in this field because of its proximity to the United States, its favourable regulatory environment and its privileged location in terms of time zones. The new United States-Bermuda Tax Treaty is expected to have a significant impact on the Territory's ability to attract international insurance companies.

7. International business companies are exempt from local tax and from the requirement for local companies that 60 per cent of their shareholding must be in Bermudian hands. The international companies include a wide range of multinational trading and investment companies. Captive insurance companies, mostly from the United States, continue to be attracted to Bermuda and bring substantial premium income into the Territory, although they do not benefit from any real tax advantages. 3/

8. At the end of 1989, over 7,000 international companies were registered in Bermuda and the Territory continued to attract other companies. Because of its limited space and housing facilities, however, the Territory has great difficulty in expanding this vital sector of the economy. Approximately 26 per cent of the international companies were insurance-related. Some 65 per cent have investment holdings and 33 per cent were partnerships and other companies. Annual figures released by the Registrar of Companies in Feburary 1991 indicated that 51 new international insurance companies were established in Bermuda in 1990, bringing the total to 1,312.

9. According to the Minister for Finance, 4/ the gross domestic product (GDP) of Bermuda registered its lowest rate of gross in 1990 mainly as a result of external factors, such as the Middle East crisis and depressed economies in other countries on which the Territory depends for its tourist industry and other activities. The Minister stated that provisional figures showed that GDP for 1989/90 grew by only 4.8 per cent in nominal terms, the lowest rate since Bermuda's account data were first compiled in 1975/76. In real terms, the economy was estimated to have contracted by 3.4 per cent during the previous year. Imports declined by $B 818,000 in 1990, 5/ as a result of a downturn in the contruction industry, which recorded a loss of some 500 jobs, mainly when contract workers left the Territory.

10. In an address to an offshore conference on international business held in London, the Chairman of the Bank of Butterfield stated that Bermuda was determined to be recognized internationally as a centre for collective investment ventures and was taking "whatever steps are neccesary to ensure that it remains in tune with international progress". He said that the territory would issue regulations and rules of conduct to protect shareholders and other investors. An Investment Compensation Fund had been put in place to compensate investors who suffered losses due to fraud or other illegal acts. Although, through its administering Power, Bermuda is a member of the Organization for Economic Cooperation and Development (OECD), some countries such as Japan would not recognize investment funds established and managed in

OECD member countries, possessions or territories, and this could slow much needed foreign investment. 6/

11. According to the same source, the insurance industry had agreed to a plan prepared by the Insurance Advisory Committee and adopted at a meeting attended by 45 representatives of the industry as well as the Governmment, including the Minister for Finance. Among the proposals contained in the Plan is a review of the partnership arrangements between the Government and the private sector. The Plan also calls for the amendment of the insurance legislation of Bermuda, with a view to creating new marketing opportunities for the industry. In introducing these changes, the Plan seeks to increase the international insurance business contribution to Bermuda's GDP by consolidating and enhancing the Territory's regulations as an international financial centre. 6/

12. On 10 July 1991, the Senate of Bermuda adopted legislation, 7/ called the Trust Companies Act, aimed at making the Territory a leading centre for international business. Previously, only the three banks of Bermuda and three of its major law firms were permitted to operate trust companies. According to the Minister for Finance, more than 10 other entities had expressed an interest in entering the trust business. Although the legislation assures that the trusts remain confidential and would regulate themselves, they will be supervised by the Bermuda Monetary Authority. The shadow Minister for Finance representing the Opposition required that the new jobs created as a result of the Trust Companies Act be filled by Bermudians and not by foreigners. He also introduced a series of amendments to parts of the bill which limited the ability of the Government to conduct investigations in cases where money laundering, mishandling of funds, drug traffickiing or contravention of international conventions was suspected.

Notes

1/ The information contained in this paper has been derived from published reports.

2/ The Royal Gazette (Hamilton), 15 July 1988.

3/ The Financial Times (London), 30 August 1989.

4/ The Royal Gazette, 2 November 1990.

5/ One Bermuda dollar ($B 1.00) is equivalent to one United States dollar.

6/ Bermuda Sun, 14 June 1991.

7/ The Royal Gazette, 12 July 1991.